

KHADIM
INDIA
LIMITED



**CUSTOMER
DRIVEN.
QUALITY
CONSCIOUS.**

Khadim's[®]
THE SOLE OF INDIA

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Khadim India Limited

Annual Report 2017-18



View Online:
<https://www.khadims.com/media/pdf/annual-report-2017-18.pdf>

Customer Driven. Quality Conscious.

Khadim India Limited is a leading home-grown manufacturer and retailer of quality footwear in India, well-known under the Khadim's brand. We are a differentiated footwear player, with both mass market appeal and a strong reputation for both quality and design with the fashion conscious. Our brand presence, wide product range, and an extensive geographical and digital reach, positions us competitively in addressing the large market potential of India's growing consumer base.

At Khadim India Limited (KIL), we have a demonstrated track record of growth and success in the dual business segments of Retail and Distribution. With our proven two-pronged strategy and our consistent successes in market share growth, we are at the tipping point of garnering superior value creation.

Our B2C segment has a healthy mix of company-owned and franchise stores, supported by a strong legacy of established outsourced manufacturing. This asset-light business model gives us the agility to drive scalability, optimise operating leverage and build profitability. Meanwhile, in our distribution based B2B segment, which focuses on mass volume products, we are aided by our large in-house capacities, economies of scale and strong materials cost management with value engineering, strong product development and merchandising skills.

With a successful history based on a mature, dual-strategy business model, we are well placed to build our growth in a competitive marketplace. We have the unusual ability to straddle both retail and distribution markets, de-risking our business from the unilateral dependence on any one business type. Furthermore, we can cross leverage our experience in each segment to capitalise on the potential of both business opportunities. We also continue to leverage our strong design and manufacturing capabilities to create and grow our various popular sub-brands, leading towards premiumisation, higher ASPs and healthy gross margins.

Going forward, we aim to deepen our business penetration into our stronghold markets of Eastern and South India, while we capitalise on our strong retail brand recall in the target markets of West India and North India. Through our retail arm, we aim to enter new markets through company-owned stores and new franchisee arrangements. For our distribution business, we continuously strive to sweat our existing installed capacity to the fullest, and de-risk our business further by growing our contract manufacturing business. Given the demographic tailwinds, increasing urbanisation, and rising disposable incomes, and a greater propensity for consumers to buy branded products, we are supremely placed in a sweet spot of generating consistent long-term growth and value creation.

We are guided at all times by our unwavering motto of "delivering affordable fashion with quality". Our vision is to be in every Indian step, and fulfil our customers' needs with cost-effective and high-quality footwear solutions.

Khadim India - At a Glance

We are a 5-decade old Kolkata-based home-grown footwear retail chain offering an affordable range of footwear. We are India's 2nd largest branded footwear retail by exclusive stores, operating under the Khadim's brand. We have the largest presence in East India and are also one of the top 3 players in South India.

The ability to straddle between the Retail and Distribution markets has been our forte. Our strategy of managing these two reigns helps us de-risk our dependence on any single business. We cross-leverage the two segments to capitalise on their business potential.

We satiate the present-day customers who are great value seekers, demand world-class quality, and also are brand-conscious. Our motto is to provide them with quality and stylish, yet affordable, footwear.

YoY Rise in Sales

22.62%

High Traction Markets

East and
North East

Our Presence

23 States
1 Union Territory

Retail Outlets Added
in FY2018

89

Focus Areas for
Accelerating Growth

Maharashtra and
Tamil Nadu

Distributors Selling to
Multi-Brand Outlets

455

Retail Outlets Planned
to be Added by FY2020

150

Branded Retail Stores

753

Robust Back-End
Infrastructure

- Procurement and quality control
- Manufacturing
- Warehousing and Logistics
- Supply Chain Management



What Defines Us

a. Our Business Model

We straddle between two distinct business models – retail and distribution, each with its own customer base, product range and sales channels. We have demonstrated our growth and success in the dual segments, with the aim of serving the customers' needs for affordable and quality footwear.

b. Our Market Share

We have a 5% market share in the organised market, with around 10 brand/sub-brands in every price bracket.

c. Our Network

We have the largest footwear retail franchise network in India, with a core objective of Fashion for Everyone. We own 753 branded exclusive retail stores across 23 states and 1 union territory, through our retail business vertical. We also have a

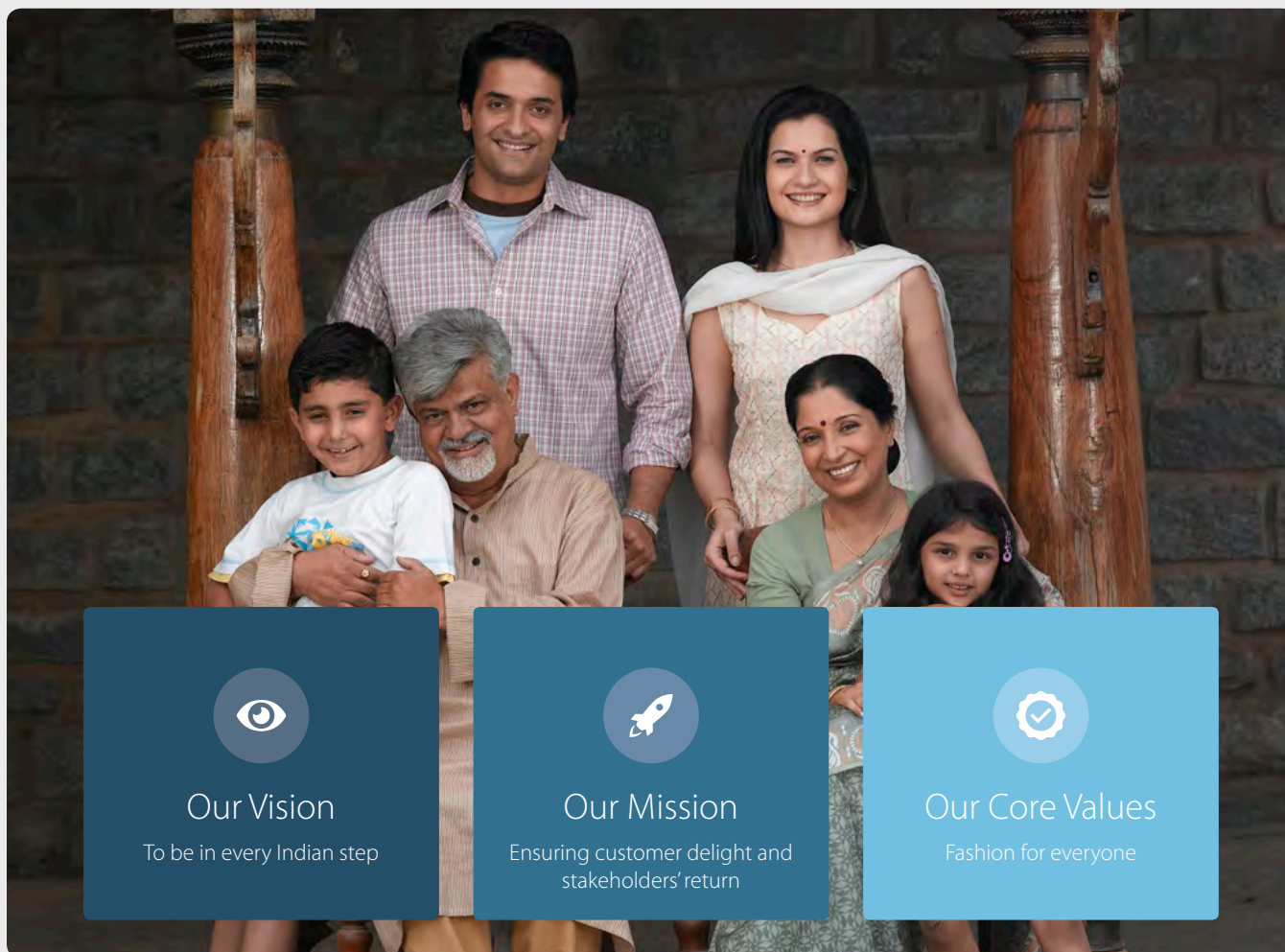
network of 455 distributors in our distribution business vertical. We have the ability to capitalise on the growth potential of both markets and de-risk dependence on any one business.

d. Catering to Customers

We have understood the "price conscious customer" well and cater to the expanding middle class segment in India. We offer quality footwear which is affordable for the entire family.

Khadim India - At a Glance

continued



Our Vision

To be in every Indian step



Our Mission

Ensuring customer delight and stakeholders' return



Our Core Values

Fashion for everyone

We have a network of 455 distributors in our distribution business vertical. We have the ability to capitalise on the growth potential of Retail and Distribution and de-risk dependence on any one business.

Our Asset Light Business Model for Growth

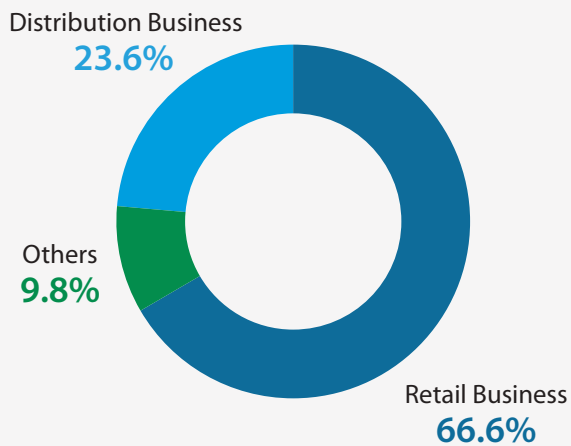
Retail Business

- 76% of retail presence through franchisee route
- Outsourcing 88.9% of product requirement

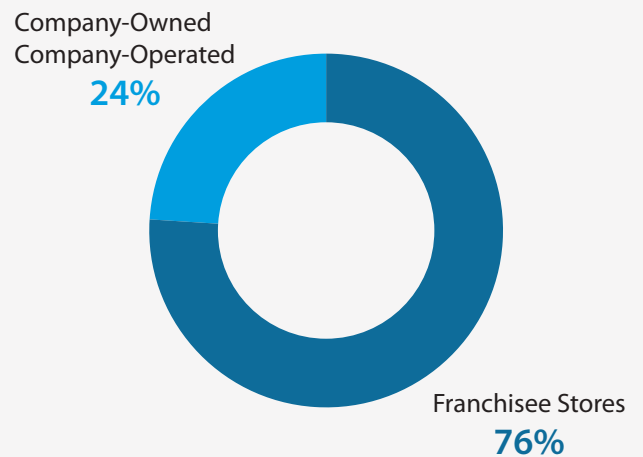
Distribution Business

- Highly scalable model on front end
- Mix of in-house and contract manufacturing

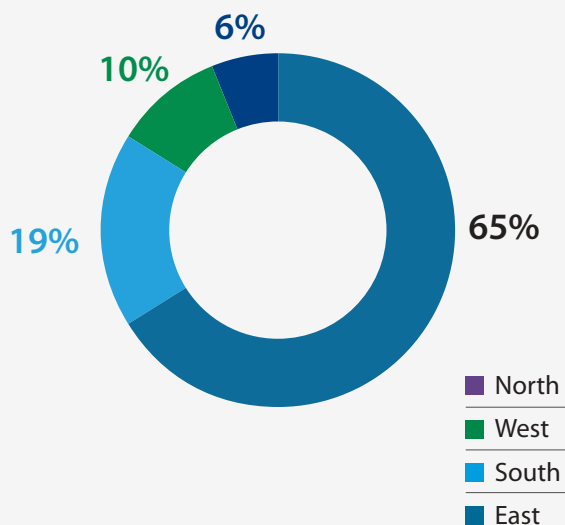
Our Revenue Share



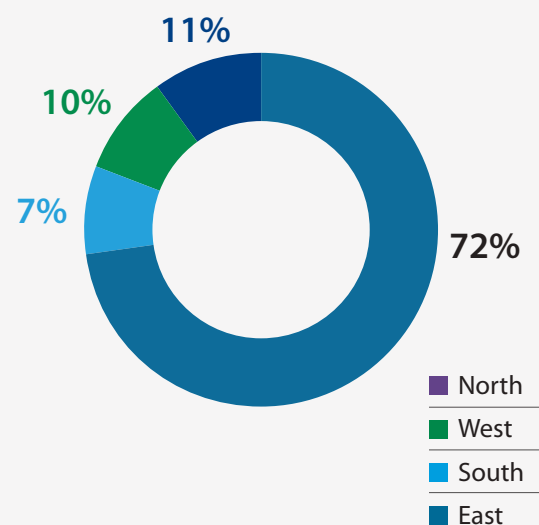
Break-up of Stores



Region-wise Break-up of Retail Stores

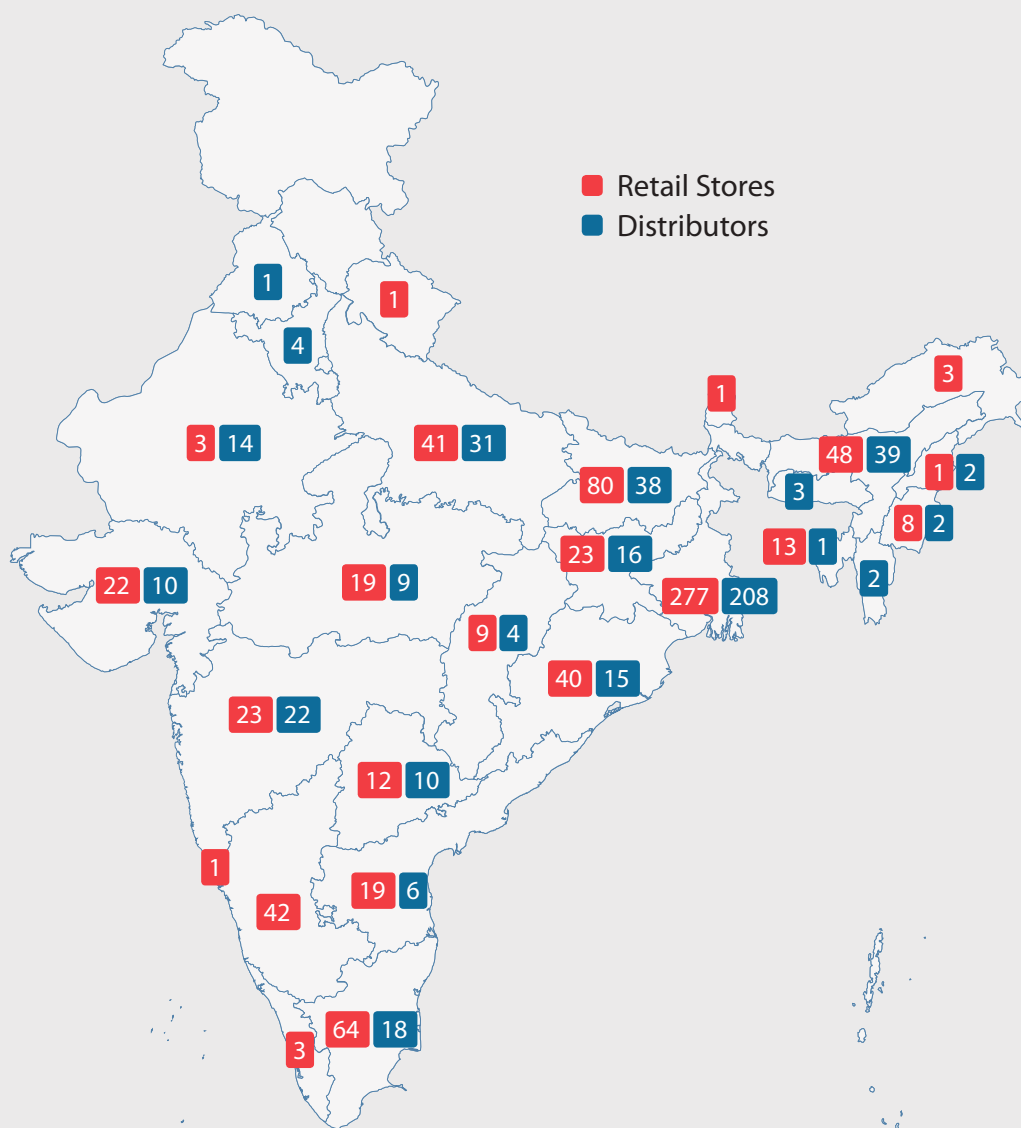


Region-wise Break-up of Distributors



Our National Presence

We provide “affordable fashion” with a wide variety of designs and styles to men, women and children across all the age groups. Our comprehensive range of products is manufactured by a team of highly skilled designers with strong design capabilities.



Our Competitive Advantages

Leading footwear brand in India

- 2nd largest footwear retailer
- Largest presence in East India
- One of the Top 3 players in South India
- Largest footwear retail franchise network in India
- Emerging brand in West and North India

Two-pronged market strategy

- Straddling between two distinct business models (retail and distribution), each with its own customer base, product range and sales channels
- Ability to capitalise on the growth potential of both markets and de-risk dependence on any one business

Strong design capabilities

- Understanding latest domestic and global fashion trends
- Strong design capabilities have helped to create and grow sub-brands, drive premiumisation and target and retain aspirational customers
- Grossing higher ASP and margins

Asset light model for growth

- - **Retail business:**
 - » 76% of retail presence through franchise route
 - » Outsourcing 88.9% of product requirement
- - **Distribution business:**
 - » Highly scalable model on front end
 - » Mix of in-house and contract manufacturing

Wide reach and presence

- Retail presence across 23 states and 1 Union Territory
- 753 branded retail stores
- Wide network of 455 distributors selling to Multi-Brand Outlets

Rising market potential

- Domestic footwear market projected to grow at 15% between FY2016-20
- Branded footwear market projected to grow at 20% during the same period
 - » Branded retail: 18% CAGR
 - » Branded distribution: 23% CAGR



We have the ability to capitalise on the growth potential of both markets and de-risk dependence on any one business. We have demonstrated our growth and success in the dual segments, with the aim of serving the customers' need for affordable and quality footwear.

Our Product Portfolio

We provide “affordable fashion” with a wide variety of designs and styles to men, women and children across all the age groups. Our comprehensive range of products is designed by a team of highly skilled designers, who create new designs through regular analysis of trends and market dynamics, that help our products remain fresh in the minds of consumers.

Khadim's



- Men, Women & Kids
- Fashionable and casual footwear for value conscious customers

British Walkers



- Menswear
- Formal shoes and sandals of premium quality leather

Lazard



- Menswear
- Semi-formal and casual shoes and sandals, using premium quality leather and faux leather

Turk



- Mens wear
- Outdoor boots and sandals using premium quality faux leather